

Before the  
POSTAL REGULATORY COMMISSION  
Washington, DC 20268-0001

First-Class Mail and Periodicals	:	
Service Standards Changes, 2021	:	Docket No. N2021-1

INITIAL BRIEF OF THE GREETING CARD ASSOCIATION

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## AUTHORITIES CITED

### *Judicial:*

*Direct Marketing Association v. U.S. Postal Service*, 778 F.2d 96 (2d Cir., 1985)

### *Statutory:*

39 U.S.C. chapter 1

39 U.S.C. chapter 4

39 U.S.C. sec. 101(e)

39 U.S.C. sec. 403(b)(2)

39 U.S.C. sec. 3622(b)

39 U.S.C. sec. 3622(c)

39 U.S.C. sec.3622(c)(1)

39 U.S.C. sec. 3961

39 U.S.C. sec. 3691(a)

### *Administrative (PRC):*

*Postal Rate and Fee Changes, 1987* (Opinion and Recommended Decision, Docket No. R87-1)

*Advisory Opinion on Elimination of Saturday Delivery* (Docket No. N2010-1)

*Mail Processing Network Rationalization Service Changes, 2012* (Docket No. N2012-1)

Docket No. N2021-1, Presiding Officer's Ruling No. 14

*Administrative (Other):*

U. S. Postal Service Inspector General, *Peak Season Air Transportation* (February 25, 2021)

## I. STATEMENT OF POSITION

The Greeting Card Association (GCA) does not express either explicit support for or explicit opposition to the proposed changes in First-Class and Periodicals service standards. Rather, the purpose of this Brief is to describe certain issues which GCA believes the Commission must address and answer if its Advisory Opinion is to comply with the requirements of sec. 3661<sup>1</sup>, and to show why they cannot be omitted or glossed over. It is quite possible that if the Postal Service's Request had been accompanied by more evidence of groundwork, not all these questions would need to be raised; the efficiency improvements it postulates are certainly attractive. A sec. 3661 Advisory Opinion, however, must "conform[ ] to the policies established under this title" (sec. 3661(c)). This is as broad-ranging a standard as could have been written. At the least, GCA believes it encompasses all the objectives and factors of sec. 3622(b) and (c) and the requirements of sec. 3691, as well as the more general directives of chs. 1 and 4.

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<sup>1</sup> In this Brief, section numbers standing alone refer to title 39, United States Code, unless the context clearly requires otherwise.

## II. ISSUES THE COMMISSION MUST ADDRESS AND ANSWER

### A. Would the Postal Service's inquiry into public reaction support a favorable advisory opinion?

Witness Monteith describes the Postal Service's investigation of the likely public reaction to the service standard change. Among other things, his description makes it clear that, by comparison to previous major service changes presented under sec. 3661, the Service's inquiry in this case was significantly limited. In Dockets N2010-1 (ending Saturday delivery) and N2012-2 (network realignment and associated reductions in service), it offered both survey and qualitative research.<sup>2</sup> Testimony from both the firm which conducted the research and the Postal Service official who interpreted the results was entered in the record and subjected to interrogatories and oral cross examination. No such investigation is reported in this case, and apparently none was undertaken.

In this docket, the only survey described is one conducted by the Postal Service Inspector General.<sup>3</sup> Mr. Monteith, in discussing the effect of the change on customer satisfaction, reports that it showed 71 percent of respondents expecting their mail in seven days. He concludes that this finding "suggests" that "some customers may not be impacted" by the changes since their expectations appear already to be lower than present service standards.

Mr. Monteith's inference from the OIG report may be correct, or it may not. We believe, however, that the Commission should be concerned that no such research was done in connection with *this* service change. In the past, such research was apparently

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<sup>2</sup> Docket No. N2010-1, *Advisory Opinion on Elimination of Saturday Delivery*, pp. 103 et seq.; Docket No. N2012-1, *Mail Processing Network Rationalization Service Changes, 2012*, pp. 125 et seq.

<sup>3</sup> USPS-T-4, pp. 13-16, 19-20. The motion practice surrounding this report was disposed of by Presiding Officer's Ruling No. 14, and we are concerned not so much with the OIG report's status as record material as with what is *not* in the record.

considered a necessary part of the proffered support for significant changes in the nature of service. The Commission treated it in some detail, and in Docket N2012-1 even attempted – without success – to replicate the Postal Service’s results.<sup>4</sup>

It appears, accordingly, that what we are meant to expect in terms of demand for mail (as distinguished from customer satisfaction) is to be gathered entirely from witness Thress’s econometric results. The distinction between customer satisfaction (measured, Mr. Monteith explains, via the Brand Health Tracker) and customers’ needs is acknowledged, and Mr. Monteith states that the latter variable was not measured.<sup>5</sup> The distinction is important. For example, a customer with a high-speed Internet connection used for most transactions and much personal communication may be highly *satisfied* with the postal service (s)he does receive but only slightly *dependent* on it. Contrariwise, a customer lacking broadband access may be almost totally *dependent* on the U.S. mails but quite *dissatisfied* with the service the Postal Service provides. Thus need for and satisfaction with postal service not only are not the same thing but may be widely disparate.

A customer highly dependent on the Postal Service, accordingly, is entitled to the protection of sec. 101(e), requiring that *all* postal policies “give the highest consideration to the requirement for the most expeditious collection, transportation, and delivery of important letter mail.” The Commission should also consider the bearing of sec. 403(b)(2), making the Service responsible for providing “types of mail service to meet the needs of different categories of mail *and mail users*.” (Italics added.) Measuring satisfaction with the service actually provided is useful, but it does not reflect the varying degrees of customers’ dependence on the mails – including their dependence on rapid delivery.

Thus there are two questions the Commission should consider and answer:

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<sup>4</sup> *Mail Processing Network Rationalization Service Changes*, 2012, pp. 2, 136 et seq.

<sup>5</sup> Response to APWU/USPS-T1-3(b) (redirected from Mr. Cintron). APWU’s question appears to have stressed the needs of physically impaired customers, but the answer is broader.

- Were the actions the Postal Service took to inquire into customer reaction adequate to support a favorable recommendation of this service change? And
- More specifically, should the Postal Service have investigated the *dependence* of various customer groups on mail service, as well as their satisfaction with it?

Separate, again, from these issues is the question of how, and how well, the Postal Service informs its customers of what delivery schedule they can expect. Witness Monteith discusses this question at pp. 20 et seq. of USPS-T-4.

GCA's focus is on communication with consumers and small businesses.

Mr. Monteith explains clearly (USPS-T-4, pp. 20-22) several established mechanisms for communication with larger mailers: Postal Customer Councils, the Business Service Network, BMEU Message Centers and PostalPro, and MTAC and AIM. The discussion of how the service change would be communicated to consumers and small businesses is markedly less specific: special training for employees who interact with the public, information added to the Service's website, and Corporate Communications' releases to the media (which may or may not make good use of them). That channels of communication with large mailers are established institutions while those for consumers and small business are, apparently, still in the development stage is not without significance for the Commission. GCA would suggest that the Commission, if it recommends pursuing the service change, also recommend that the Postal Service reinforce its outreach to small business and household customers, perhaps even through a "Postal Customer" mailing similar to those it uses to advise of holiday mailing deadlines.

#### B. The question of product improvement in relation to volume recapture

The next question GCA believes the Commission must address and answer is whether a change in First-Class service standards which assumes that no changes will



be made in First-Class products can be favorably recommended. This issue is relevant because the planned change is premised on decline – apparently continuing – in First-Class Mail volumes. This premise is expressed clearly in the *Request for an Advisory Opinion on Changes in the Nature of Postal Services* (“*Request*”), at pp. 6-8. This decline seems to be accepted as an unavoidable, unalterable trend. Witness Whiteman, for instance, states that volumes lost to “the proliferation of electronic media for bill presentment, payment, correspondence, and other communications, are not expected to return.”<sup>6</sup>

It is clear that development of the plan did not consider whether reconfiguration of at least some First-Class products could at least retard and perhaps reverse decline in the demand for such products. Postal Service witness Cintron stated that his testimony assumed no changes in First-Class products over the planning horizon he considered, and he understood the plan to be similar.<sup>7</sup>

The Postal Service, however, has not infrequently changed the nature of First-Class products or the rates charged for them in order to stimulate usage. It changed the initial weight increment of Presort Letters to two ounces, and later to three and a half, in order to encourage increased usage by permitting promotional materials to be enclosed with bills. It created the Butterfly Stamp to simplify, for consumers, the mailing of non-machinable letters. Time-limited promotions to encourage mail usage are also common. An apt specimen is the Earned Value Reply Mail promotion, described at p. 31 of the *Notice of Market-Dominant Price Change* currently pending in Docket R2021-2, but others detailed in that *Notice* are also meant to make First-Class Mail more attractive for (commercial) users by increasing its attention-getting properties.

Certainly there are other volume-boosting initiatives that could be tried. Greeting cards and social correspondence are an appreciable part of the First-Class mailstream,

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<sup>6</sup> USPS-T-2, p. 3.

<sup>7</sup> GCA/USPS-T-1-1 and -2.

and until the ten percent increase in the Forever Stamp price, they grew while other categories in the class declined. An initiative such as increasing the first weight increment – rather than imposing an additional price for the second ounce – could further increase usage and help the Service achieve the ten-year plan goal of more pieces per delivery. As Mr. Monteith testified<sup>8</sup>, Postal Service research shows that 87 percent of those polled agreed that cards and other personal mail have “a lot of value.” Mail that has value to recipients, we suggest, is mail which will be sent.

GCA believes that the Commission should take into account the apparent assumption that nothing can be done to retard or arrest the volume decline in First Class. Consideration of what applications of First-Class Mail are not notably subject to electronic diversion could have suggested ways of encouraging more usage of the mail in such applications. Attachment I to this Brief is a chart which GCA prepares annually for its own use to show the comparative volume behavior of different categories of household-origin mail<sup>9</sup> – specifically, bill payments and select types of personal correspondence. It shows clearly that different applications of First-Class Mail show widely differing trends: bill payments decline rapidly and monotonically while the volume of personal correspondence applications is nearly constant.

The issue for the Commission, then, is whether it can advise favorably on the Postal Service plan to degrade First-Class service standards largely because volume – considered very generally – has fallen, when the plan did not consider the internal structure of the decline and what could be done (particularly as regards improvements in First-Class products) to retard it.

### C. The question of rates

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<sup>8</sup> USPS-T-4, p. 11.

<sup>9</sup> The underlying data come from the respective Postal Service *Household Diary Study* reports. As witness Thress indicates (USPS-T-5, p. 25), this is essentially Single-Piece mail.

GCA recognizes that the Postal Service’s proposal deals formally only with service standards. It is equally important, however, that it affects only First Class (and those Periodicals which travel with First Class).

The Commission’s advice to the Postal Service, however, may not be limited strictly to delivery schedule questions. If the Commission recommends favorably, but also – as we think it should – provides advice on how the change can be administered in a fair and reasonable fashion, then it needs to consider how it may be reflected in the rate schedule.

Section 3622(c)(1) calls for attention to “the value of the mail service actually provided each class or type of mail service to both the sender and the recipient, including but not limited to the collection, mode of transportation, and priority of delivery.”

This provision is important because “value of . . . service” in sec. 3622(c)(1) is not measured solely by the price elasticity of the mail but also by the *intrinsic* value of the service it receives. *Direct Marketing Association v. U.S. Postal Service*, 778 F.2d 96, 103-104 (2d Cir., 1985).<sup>10</sup> This means that insofar as the proposal degrades the service provided to First Class, that effect must be factored into First-Class Mail rates *even if delivery days is not the main driver of volume behavior*.<sup>11</sup>

The Postal Service argues, perhaps with reason, that the effect of the change will be to improve the service “actually provided,” since it is meant to lead to a degree of service standard compliance (95 percent) not currently achieved. This raises (at least) two issues for the Commission: (i) how confident is the Commission that this intended

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<sup>10</sup> The Court was construing sec. 3622(b)(2) of the 1970 Act, identical with present sec. 3622(c)(1). This decision is applied, and discussed in some detail, at PRC Op. R87-1, ¶¶ 4072 et seq., 4079-4080.

<sup>11</sup> As Messrs. Thress and Monteith both tell us.

95-percent level will be achieved and maintained?<sup>12</sup> and (ii) is it appropriate to recommend a plan whose justification is largely that it will facilitate a level of performance that should be achieved without the plan?<sup>13</sup> Insofar as volume decline may be driving the recent failures to achieve intended service levels, this issue ties back to the one treated in section B: what could be done, by improving or reconfiguring First-Class products, to retard the decline?

Even if the Commission decides these questions favorably to the Postal Service's position, it should still include in its advice an admonition that the lengthening of First-Class delivery schedules should be appropriately reflected through moderation in First-Class prices. The Postal Service could use its pricing flexibility to achieve this, especially since First Class records a cost coverage of 198 percent.<sup>14</sup>

D. Should the plan have taken account of the greater sensitivity of household mailers to delivery schedules?

Postal Service witness Thress included in his testimony the following important observation:

First-Class Mail sent by households is all Single-Piece while mail sent by non-households is a mix of Single-Piece and Workshare Mail. The result here that households are more-sensitive than non-households to changes in average days to delivery is consistent with the econometric presented earlier which found a somewhat stronger impact of average days to delivery on First-Class Single-Piece Mail volume than for First-Class Workshare Mail.<sup>15]</sup>

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<sup>12</sup> That the question is realistic is suggested by the long history of attempts by both the Commission and the Postal Service to improve First-Class Mail performance under the three-to-five-day service standard. The relevant sections of the FY 2020 *Annual Compliance Determination Reports*, and others back at least to FY 2015, may be consulted on this point. See, e.g., the FY 2020 report at pp. 160 et seq.

<sup>13</sup> It is not irrelevant that service standards are not imposed by the Commission but are designed by the Postal Service after consultation with the Commission. Sec. 3691(a).

<sup>14</sup> FY 2020 *Cost and Revenue Analysis*.

<sup>15</sup> USPS-T-5, p. 25.

The proposed service change, however, appears to take no account of this fact.

Mr. Monteith's testimony on the impact of the change on First-Class Mail, treats all of it as a unit. He discusses Mr. Thress's work at length, but (in GCA's view) stands it on its head:

It [the econometric analysis] also reveals that Presort mail volumes do not appear to be as sensitive to changes in Delivery Time. A possible explanation for the different sensitivities between Presort and Single-Piece First-Class mail is their differing customer profiles: uniformly businesses (Presort) versus a more diverse mix that includes consumers (Single-Piece). . . .

The lower sensitivity of Presort mail to changes in Delivery Time is an important finding. It suggests that the estimated impact to FCM is unlikely to be significant given that Presort Letters account for 65 percent of overall FCM volume and Single-Piece Letters is 28 percent.<sup>[16]</sup>

We believe that the Commission should not treat 28 percent of a class accounting for 41 percent of the Postal Service's total mail flow<sup>17</sup>, and recording a cost coverage of 198 percent<sup>18</sup>, as undeserving of separate attention. For example, Single-Piece First-Class Letters revenue (FY 2020 *Cost and Revenue Analysis*) was \$7,957.5 million; Outside-County Periodicals as a *whole* yielded \$968.5 million, and the relatively small fraction (less than one quarter) of them classed as "end-to-end" has received special attention throughout the Postal Service's presentation. The Commission, GCA believes, should give particular attention to the greater sensitivity of household mail users before it satisfies itself (if it does) that the service standard change and expected savings are worthwhile.

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<sup>16</sup> USPS-T-4, pp. 14-15.

<sup>17</sup> USPS-T-4, p. 7.

<sup>18</sup> *Cost and Revenue Analysis* report, FY 2020.

### III. CONCLUSION

As stated initially, GCA does not advocate either approval or disapproval of the proposal before the Commission. It is our position that an advisory opinion, favorable or unfavorable, which does not address and answer the questions we have raised in section II of this Brief would not be fully responsive to the requirements of sec. 3661.

These are questions suggested directly by the *Request*; if it had been accompanied by more supporting research and analysis, some might have been answered at least preliminarily by the filing itself.

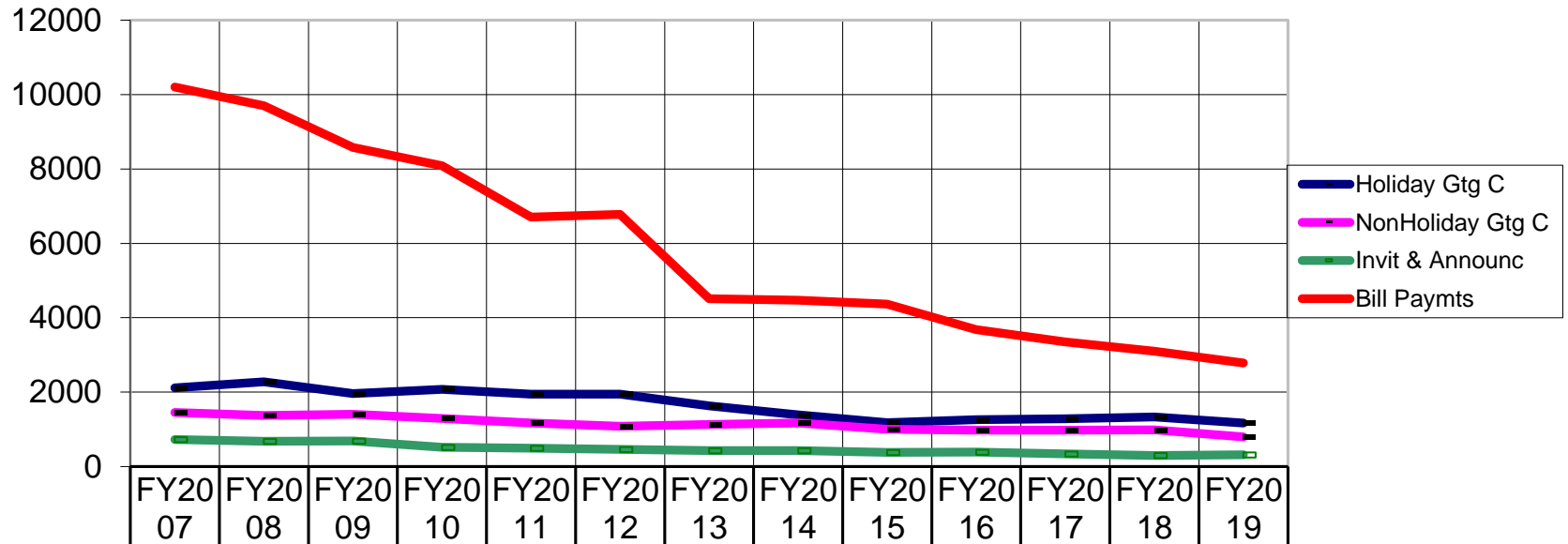
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Respectfully submitted,

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## Household Volume Trends



Holiday Gtg C	2117	2278	1959	2073	1945	1944	1633	1393	1180	1262	1288	1332	1170
NonHoliday Gtg C	1454	1374	1409	1295	1173	1086	1134	1169	1005	982	981	989	797
Invit & Announc	727	677	685	521	492	460	426	429	384	390	339	297	315
Bill Paymts	10202	9704	8580	8088	6707	6776	4513	4470	4368	3684	3347	3100	2784